

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

REPORT NO.

COUNTRY Austria (Russian Zone)

CONFIDENTIAL

DATE DISTR. 25 May 1948

SUBJECT Recent Agreement Between Van Sickle
Oil Company and Soviet Oil Administration

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1. [] the Richard K. van Sickle Tiefbohr-Unternehmen [] has been forced since April 1945 to deliver its entire production to the Soviets. The company retained control of its own administrative apparatus until a few months ago, when, owing to the difficulty of paying the workers' wages, the company was forced to relinquish the greater part of its administrative control to the Soviets. Protests by VAN SICKLE himself were in vain until about 15 March 1948, when RYABININ, director of the Central Administration of Soviet Oil Companies in Austria, suddenly manifested a desire [] Comment: apparently on receipt of an order from Moscow to effect a rapprochement with the van Sickle Company. At that time, a conference was held in the Soviets' Vienna I, Kautzhaus, oil office, where RYABININ and MAMIKONYAN (phonetic), chief bookkeeper of the Soviet Oil Administration, met VAN SICKLE and his advisers.
2. After preliminary discussions, in which the basis for further conversations was established, negotiations were left to MAMIKONYAN and Leo VIELNASCHER, technical adviser to VAN SICKLE. After a week of discussions, agreement was reached on the following points:
- a. Crude oil prices:

From April 1945 until 11 August 1947, the Austrian ceiling price for crude oil had been 110 schillings per ton. The Soviets had paid VAN SICKLE, however, only 100 schillings per ton. After 12 August 1947, at which time the Government reevaluated the schilling, the ceiling price was raised to 148.50 schillings per ton; still, the Soviets would agree to no more than 122 schillings. In each case they claimed the difference went to defray shipping, insurance, and various other costs.

Comment: The selling price has always been taken to include transportation to the nearest railway loading point, and loading into the buyer's tankcars. In the recent discussions, the Soviet representative agreed to pay VAN SICKLE a higher price beginning 1 February 1948, providing the company would agree not to press for reimbursement retroactive

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to April 1945. Van Sickle has until 24 April 1945 to present its minimum price. **Comment:** Although Van Sickle's production costs run to about 200 schillings per ton at present, Vielnascher says he does not expect the Soviets to meet him on this figure. He hopes, however, to be able to effect a satisfactory compromise.

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b. Natural Gas Prices

Van Sickle has been buying from the Soviets a certain quantity of natural gas at thirty-one groschen per cubic meter. Henceforth, the Soviets will deliver Van Sickle this gas, which is produced by the Zaya Erdgas GmbH, for 12.3 groschen per cubic meter.

c. Gasoline Prices

For the gasoline which Van Sickle produces from natural gas, the Soviets have been paying 450 schillings per ton. Since the production costs of this gasoline have risen 150 schillings per ton, the Soviets have agreed to pay 600 schillings per ton henceforth.

d. Leasing of Equipment

The Soviets agreed to pay rental fees for machinery and equipment which they had dismantled and carried away for their own use. These rentals applied primarily to a drill rig and a winch. Van Sickle set a replacement price of 3,000,000 schillings on the drill rig, on the basis of which figure the Soviets agreed to pay a monthly rental price of 1%. For the winch, which is used in cleaning out wells, and for which Van Sickle named a replacement price of 180,000 schillings, the Soviets have consented to pay Van Sickle a yearly rent amounting to twenty percent of this figure. The Soviets have already made payments into the Van Sickle account, but have also made it understood that as soon as similar apparatus can be purchased by them, they will return the Van Sickle equipment to the company. **Comment:** It is said in oil circles that the Soviets have already received "American offers" which would be much more economical for the Soviets than renting the Van Sickle equipment. During the negotiations, Mamikonyanch requested Vielnascher not to reveal the rent the Soviets were paying for the drill rig, since the Soviets had allowed other companies to propose a replacement price of only 1,000,000 schillings for similar equipment, thus necessitating the payment of a much smaller rent by the Soviets.)

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e. Compensation for Items Other than Machinery Removed by the Soviets

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The Soviets agreed to pay compensation only for those articles for which Van Sickle could show a receipt or a bill of delivery. **Comment:** Since most of the material removed by the Soviets from the Van Sickle premises was taken at gun-point without the formality of a receipt or a bill of delivery, it is estimated that the company can prove ownership of only about thirty percent of the items removed. However, Van Sickle is now attempting to trace and claim all items removed by the Soviets since April 1945.)

f. Repayment of Soviet Investments

The Van Sickle representatives agreed that the company would reimburse the Soviets in full for all investments undertaken for the sake of maintaining production by the Soviets in the Van Sickle Company since April 1945.

g. Administration

Effective immediately, the Soviets agreed to return to the Van Sickle Company all its previous administrative powers. They reserved for themselves, however, the right to maintain a Soviet Control officer in the company. This officer, 1st Lieutenant Barsky, has already taken over his duties, which are confined to technical questions concerned with maintaining the production level.

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[redacted] on the Soviet reasons for returning the administration of some of the non-German oil fields to Austrian or other owners. [redacted]

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[redacted] has access to policy information of the Soviet Oil Administration. [redacted] on orders from Moscow, the Soviet oil authorities here are undertaking to return to Austrian control some of the well-drained and unprofitable fields, with the intent of using such measures for propaganda purposes.)

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